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Bahamas, The

Retail Food Sector

Annual Report

2007

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Report Highlights:

With less than one percent of arable land for farming and a limited food-processing sector, the Bahamas imports the majority of its food needs. In addition, over 1.6 million stopover tourists visit the Bahamas each year further increasing the need for food imports. In 2005, the Bahamas imported nearly \$338 million in food products. U.S. food exports dominate the retail food industry with a 90+ percent market share in all major product categories. The strong influence of American lifestyle and culture on Bahamians has led to U.S. food products and brands being the most preferred and commonly visible products in retail outlets. As disposable incomes continue to increase, the Bahamian consumer has a greater opportunity to purchase a wider variety of high-quality food products.

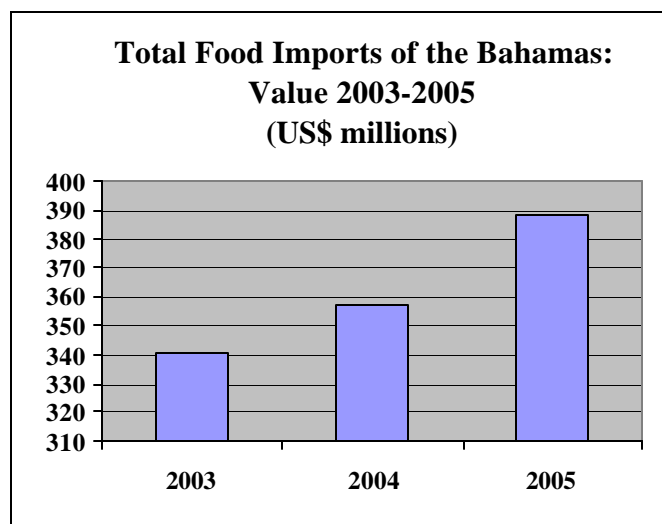
Includes PSD Changes: No
Includes Trade Matrix: No
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SECTION I. MARKET SUMMARY

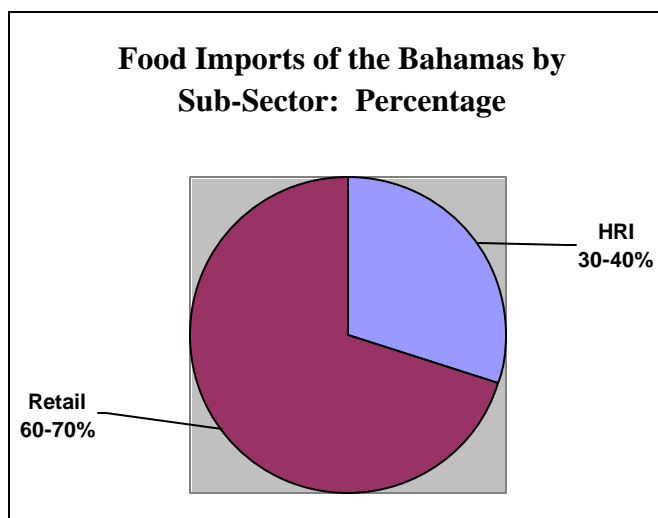
Combined, the 700 islands and 2,000 cays that make up the Bahamas have an area slightly smaller than that of the state of Connecticut. Although only about thirty of the islands are populated, over 300,000 people are permanent residents of the Bahamas. The majority of the population resides on the island of New Providence around the nation's capital, Nassau, and in Freeport, on Grand Bahama Island. The Bahamian per capita gross domestic product (GDP) purchasing power of parity (PPP) of \$21,600 is among the highest in the Caribbean (2006 est.).

With less than one percent arable land and permanent crops, agriculture accounts for only 3 percent of the national GDP. Tourism, on the other hand, accounts for over 50 percent of GDP, employs two-thirds of the workforce, and is by far the largest industry in the Bahamas. In 2006, an estimated 1.6 million stopover visitors visited the Bahamas (tourists who are on an island for over 24 hours are considered "stop-over" visitors). The country's economy and its continued growth is dependant on economic conditions in the United States. This is largely due to the fact that 86 percent of visitors to the Bahamas are U.S. residents. Second to tourism, the offshore banking industry, a sector promoted by the free trade zone in the Bahamas, accounts for 15 percent of the GDP and employs over 3,800 Bahamians.

The lack of arable land for farming to support the food consumption of the local population and tourists has led to the importation of over 80 percent of the Bahamas' agricultural needs. In 2005, the Bahamas food imports were valued at approximately \$388 million, a 9 percent increase from the previous year (The Bahamas Department of Statistics). Of the total amount of consumer-oriented food products imported into the Bahamas, approximately 60 to 70 percent is channeled toward the retail sector, while the remaining 30 to 40 percent is directed toward the hotel, restaurant, and institutional (HRI) food service sector.

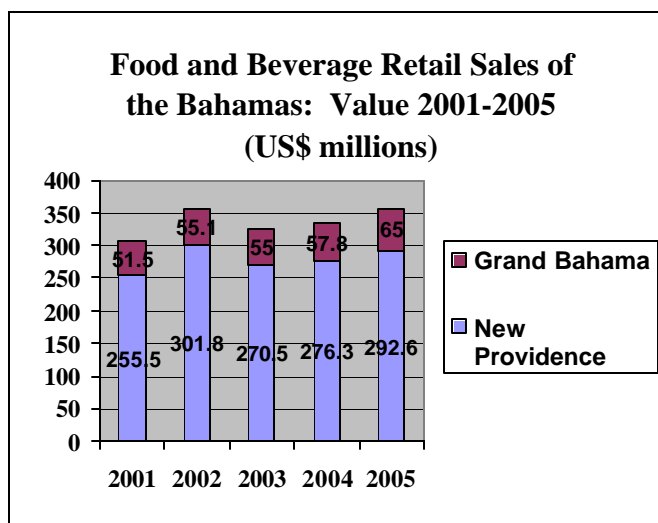


Source: The Bahamas Department of Statistics



Source: The Caribbean Basin Agricultural Trade Office

Most Bahamians buy their basic food necessities from the well-established retail food industry with outlets ranging from small “mom and pop” shops, gas marts, and independent grocers, to large supermarket chains, hypermarket chains, and wholesale club stores. There are 194 retail stores specializing in the sale of food and beverage located on New Providence Island, and 71 located on Grand Bahama Island, with annual revenues of over \$290 million and \$65 million, respectively. The sale of food and beverage products accounts for roughly 20 percent of all retail sales in the Bahamas (2005 data from the Bahamas Department of Statistics). While there is no data available on the projected growth rate of the overall retail food market in the Bahamas, it is important to note that in recent years the food service sector has seen more growth than that of the retail sector.



Source: The Bahamas Department of Statistics

Overview of the Market Advantages and Challenges Facing U.S. Exporters in the Bahamas	
U.S. exports dominate the retail food industry with a 90+ percent market share in all major product categories	New product introductions can be difficult due to the extensive establishment of major brands already in the market.
Locals are exposed to television from the United States and thus to advertisements for U.S. products and brands.	Canada and Europe offer competitive prices for similar quality products.
Distribution systems, health and safety regulations complement U.S. systems and regulations making exporting easy.	In an effort to promote the use of local agricultural and food products, the Bahamian government uses a licensing system on the import of goods such as poultry and fresh produce.
The tourist industry attracts 1.6 million stopover tourists a year, 86 percent of which are from the United States.	Stopover tourists typically eat at restaurants rather than purchasing food at local retail stores while visiting.
The majority of local importers are well established with proven track records.	Due to the small size of the market and low purchasing power, it is difficult for many retail outlets to purchase products directly from U.S. suppliers.

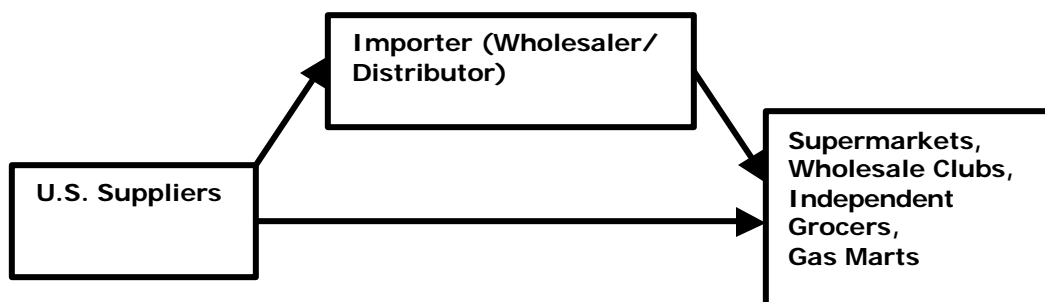
SECTION II. ROAD MAP FOR MARKET ENTRY

Entry Strategy

Breaking into the market in the Bahamas can be somewhat difficult because of the extensive establishment of many well-known U.S. brands already in the market. The best way for a U.S. manufacturer to enter the market with success is to first search the market for potential niches, develop a customized marketing plan, and follow by initiating export. Researching the market structure and competition is key in assessing current market conditions and making sound decisions. Travel to the Bahamas is recommended for a first-hand view of the market.

Market Structure

Product Flow for Imported Products:



Of the total retail food sales in the Bahamas, the lion's share of products are imported from the United States, with the majority of these imports being channeled through local importers (which also typically serve as wholesalers/distributors). There are around 30 importers of food and beverage products located on the islands of New Providence and Grand Bahama.

The club warehouse type stores and the large-chain supermarkets sell enough volume and have enough storage space to buy direct from U.S. suppliers. However, the prospects for further development and growth in direct purchasing are slim. This is due to the fact that a limited number of total retail outlets are necessary to serve the relatively small population of the Bahamas. Therefore, using a local Bahamian importer will ensure maximized brand distribution and effective product management.

In addition, gas marts obtain 95-98 percent of their products from local importers. However, if there is a specialty item that is not carried by a local distributor, they will attempt to buy directly from the manufacturer. The best method of targeting gas marts is via a local Bahamian importer.

A. SUPERMARKETS, HYPER MARKETS, AND WHOLESALE CLUBS**Company Profiles**

Name of Retailer and type of retail outlet	Ownership (Local or Foreign)	Number of Outlets	Locations (city or islands)	Type of Purchasing Agent(s)
City Market (Supermarket Chain)	Local	12	Nassau-9, Freeport - 3	Distributor, Direct/Wholesaler
Super Value (Supermarket Chain)	Local	10	New Providence Island	Distributor, Direct/Wholesaler
Solomon's (Hyper Market)	Local	2	Nassau-1, Freeport - 1	Direct/ Wholesaler
Cost Rite, Wholesale Club (Club Outlet)	Local	3	Nassau-1, Freeport -1, Abaco- 1	Direct/ Wholesaler
John Chea & Sons, (Supermarket Chain)	Local	8	Nassau	Distributor, Direct/Wholesaler
Harding's Food Store	Local	1	Nassau	Distributor
Grand Union (Supermarket)	Local	1	Freeport	Distributor, Direct/ Wholesaler
Food World (Supermarket)	Local	1	Freeport	Distributor, Direct/Wholesaler
Gourmet Market	Local	1	Cable Beach	Distributor, Direct/Wholesaler
The Organic Store	Local	1	Nassau	Distributor, Direct

The majority of supermarkets in the Bahamas are located in Nassau, the capital city of the Bahamas. Supermarkets are also spread across the island of New Providence and are located in Freeport on Grand Bahama Island. Deli counters are present in most supermarkets, and a few supermarkets have bakeries and seafood departments. The introduction of electronic scanners in chain supermarket stores is currently taking place.

Although large-chain supermarkets are slowly replacing some independent grocers, smaller independent grocers maintain a strong presence in the market. While these retail outlets carry a more limited inventory than the larger supermarkets, they are conveniently located throughout the main islands of the Bahamas and typically offer products at lower prices.

Wholesale club stores and hypermarkets in Nassau, Freeport, and Abaco are usually located in major shopping centers. These outlets carry a full line of food products in club and institutional-sized packs, in addition to apparel, appliances, and home furnishings.

The Bahamian retail food customer profile is typically a married woman with children and relatives. They are usually low to middle-income families with private transportation. Price is still an important factor in many of their purchasing decisions. However, as personal incomes continue to rise, Bahamians are expected to try more new food and beverage products. Nonetheless, Bahamians typically cling to their traditional "made from scratch" diet of rice, beans, evaporated milk, corned beef, flour, and homemade macaroni and cheese (a Bahamian favorite). Bahamians also frequently purchase cheeses, sweets, and fruits.

Generally, the Bahamian retail market follows American brand and product trends because of the traditional ties, frequent travel to the United States, exposure to U.S. tourists, and access to U.S. television advertising. "Hot" items include processed chicken, hot dogs, salty snacks, and individually packaged cookies and sweets used in the school lunch programs. The major internal drivers pushing the success of U.S. goods in the market are the availability, abundance, and quality of the products imported. U.S. products in the retail market are also competitively priced when compared to local and foreign goods.

The health-food trend has recently been on the rise in the Bahamian food market. Some of the more affluent areas of the Bahamas, like Cable Beach, on New Providence Island, have witnessed a small surge in health and gourmet food stores openings. Factors that have contributed to the increasingly health-conscious Bahamian consumer include the following: 1) an alarming number of adult Bahamians have recently been diagnosed and are living with diabetes; and 2) a large number of Bahamians are members of the Seventh-day Adventist church, which adopts a lifestyle of healthy eating. These factors, as well as various other factors, have resulted in a growing interest in healthy foods. Tofu and soy milk are the most sought after "health food" products in the Bahamian marketplace.

B. GAS MARTS**Company Profiles**

Name of Retailer and type of retail outlet	Ownership (Local or Foreign)	Number of Outlets	Locations (city or region names)	Type of Purchasing Agent(s)
Shell	U.S.	11	Nassau	Wholesaler
Esso, Gas Mart	U.S.	8	Nassau	Wholesaler
Texaco, Gas Mart	U.S.	6	Nassau	Wholesaler

Gas marts have been present in Nassau since 1986. However, in recent years, larger populated areas have seen an increase in their existence. The Bahamian economy is doing well and is demanding convenience shopping. More Bahamians are able to purchase an automobile, which in turn has caused the increase in vehicle traffic in Nassau. The added traffic has spawned the convenience shopping outlets because in one stop, consumers can purchase gas and something to eat and drink for immediate consumption. Gas marts are well spread around Nassau and Freeport. Positioned mostly on main roads in more urban locations, they are more concentrated where traffic seems to be the heaviest.

C. TRADITIONAL MARKETS - "MOM AND POP" SMALL INDEPENDENT GROCERY STORES AND WET MARKETS**Sub-Sector Profile**

The traditional "mom and pop" stores in the Bahamas usually consist of one outlet located in rural areas around the islands to support local neighborhood needs. There are over 220 independent stores in the Bahamas today. Independent stores account for roughly 20-25 percent of the retail food sales in the Bahamas.

Independent grocers purchase their items through local wholesalers. Small independent grocery stores carry less selection and quantity than the chain outlets. Stores are smaller, often less sanitary, and are not as modern as the larger supermarkets.

Wet market vendors either grow or purchase their goods from a local farm, or purchase items from a local wholesaler. These market vendors have very little purchasing power because of the low volume they purchase and sell. These vendors have to compete with larger supermarket prices, product freshness and variety of choices. The best method for penetration would be via a local distributor.

SECTION III. COMPETITION

Bahamian supermarkets look very similar to U.S. markets. Very little competition exists for the U.S. manufacturer from local or other foreign countries. The only reason a U.S. manufacturer may find it difficult to export a product into the Bahamas is if there already is an established competing product in the market. Most major brands are already licensed and distributed. Items not from the United States that were consistently seen were lamb from Australia and New Zealand, bottled and canned beverages from Canada and Trinidad, flour from Canada, wine from Italy and France, certain jams and cookies from the United Kingdom, and jams, pepper sauces, and other specialty items from the Caribbean. Little competition for dry goods exists; however importers have found lower prices for other products such as beef and pork products from Canada, dairy products from New Zealand, and produce from the Caribbean and South America.

With regards to local competition, there are approximately 20 food and beverage processors of notable size located in the Bahamas. Approximately 50 percent of these processors are manufacturers of soft drinks and producers of mineral water. The remaining 10 processors specialize in the production of fish and fish products, poultry, fruit and vegetable products, dairy products, and sugar products. No beef or pork is produced locally, and only one major poultry producer remains. Two local seafood companies meet most of the demand for some types of seafood like grouper, lobster, and shrimp. In regards to the supply of local produce, the fruit and vegetable crop is seasonal and inconsistent in quality and quantity. While the quantities of local food and agricultural production are low, any influence due to local competition is minimal. However, the local water and soft drink manufacturers in Nassau and Grand Bahama supply most of the demand for their respective markets.

Overview of the Competitive Situation Facing U.S. Products in the Bahamas			
PRODUCT CATEGORY	IMPORT VALUE (2005)	U.S. MARKET SHARE % (2005)	OTHER EXPORTERS
Meat Products	\$70.9 million	99.55%	Beef: Canada Pork: Canada, Germany, U.K. Lamb: Australia, New Zealand Poultry: Canada, the United Kingdom
Fish and Seafood Products	\$10 million	95%	U.K., Japan, Dominican Republic, Panama, China
Processed Meat, Fish, and Seafood Products	\$27.5 million	96%	Canada, U.K., Other European Countries, Brazil, Jamaica, Panama, Other Caribbean and Latin American Countries
Dairy Products	\$28.3 million	89%	U.K., Canada, France, Holland, Ireland, France, Other European Countries, New Zealand, Brazil, Panama, Jamaica, and Guyana
Fresh Vegetables	\$26 million	97%	Canada, U.K., Germany, Other Caribbean and Latin American Countries
Fresh Fruit and Tree Nuts	\$21.5 million	99.96%	Other Caribbean and Latin American Countries, U.K., Canada
Processed Vegetable, Fruit, and Tree Nut Products	\$23.2 million	96%	Canada, Mexico, Panama
Processed Cereal, Flour, Starch and Milk Products	\$27.3 million	94%	Numerous Countries
Other Processed Foods	\$45.6 million	97%	Numerous Countries
Non-Alcoholic and Alcoholic Beverages	\$64.2 million	87%	Italy, France
Coffee, Tea, and Spices	\$4.7 million	96%	Trinidad and Tobago, Jamaica, Chile, Other Caribbean and Latin American Countries, Canada
Sugars and Sugar Confectionery	\$9.7 million	85%	Canada, U.K., Brazil, Other Caribbean and Latin American Countries

Source: Bahamas Department of Statistics

SECTION IV. BEST PRODUCT PROSPECTS**A. Products present in the market which have good sales potential:**

PRODUCT CATEGORY	EXPORT VALUE (2006)	5-YR. AVG. ANNUAL EXPORT GROWTH
Red Meats (fresh, chilled, and frozen)	\$25.6 million	66%
Poultry Meat	\$20.3 million	151%
Fruit and Vegetable Juices	\$12.6 million	67%
Dairy Products	\$12.3 million	87%
Snack Foods	\$11.9 million	49%
Wine and Beer	\$7.9 million	50%
Fresh Fruit	\$6.7 million	273%
Red Meats (processed and preserved)	\$4.7 million	24%
Fresh Vegetables	\$5.3 million	87%
Breakfast Cereals	\$2.9 million	289%
Pet Foods	\$2.6 million	48.8%
Eggs and Egg Products	\$713,000	61%
Tree Nuts	\$377,000	67%

Source: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics

B. Products not present in significant quantities but which have a good sales potential:

- Tofu
- Products that contain no trans fats
- Sugar-Free products
- Fat-Free products
- Organic products

C. Products Not Present Because They Face Significant Barriers:

In general, U.S. suppliers find it relatively easy to comply with Bahamian import regulations and encounter few if any restrictions. However, in an effort to promote the use of local agricultural and food products (even though quantities are relatively low), the Bahamian government uses a licensing system on the import of goods such as fresh produce and poultry. Usually, it is the importer who must personally visit the customs office to file applications for these permits each time an import is due to clear customs. Nonetheless, given the proximity and historical business ties, U.S. manufacturers will find that Bahamian import policies and procedures complement and are in accord with U.S. export regulations.

SECTION V. POST CONTACT AND FURTHER INFORMATION**A. FOR MORE INFORMATION OR FOR AN IMPORTER LIST, PLEASE CONTACT:**

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Please visit our website for promotional activities, trade statistics, and more reports on the retail and food service sectors and on food import regulations for several Caribbean islands.
<http://www.cbato.fas.usda.gov>

Basic country information may be found in the Central Intelligence Agency's World Fact Book under the Bahamas
<http://www.odci.gov/cia/publications/factbook>

Department of Commerce
U.S. Commercial Service
Information on marketing U.S. products and services is in the Country Commercial Guide for the Bahamas
<http://www.export.gov>
Click on Market Research link, then click on Market Research Library

Other sources of Information on the Bahamas:

American Embassy of the Bahamas
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